FISCAL NOTE

Bill #:	HB0188	**Title:**	Clarify authority to enter private property for prop. tax audit and appraisal
Primary Sponsor:	Devlin, R	**Status:**	Enrolled Bill

Sponsor signature — Date

Chuck Swysgood, Budget Director — Date

Fiscal Summary

	FY 2003 Difference	FY 2004 Difference	FY 2005 Difference
Expenditures:			
General Fund	$0	$0	$0
Revenue:			
General Fund	$0	$0	$0
State Special Revenue (University)	$0	$0	$0
Net Impact on General Fund Balance:	$0	$0	$0

- [x] Significant Local Gov. Impact
- [ ] Included in the Executive Budget
- [ ] Dedicated Revenue Form Attached
- [ ] Technical Concerns
- [x] Significant Long-Term Impacts
- [x] Needs to be included in HB 2

Fiscal Analysis

1. Since current revenue estimates in HJR2 already include the revenue indicated in the assumptions below, the net revenue fiscal impact will be zero.
2. As amended, the bill will require the Department of Revenue (DOR) to mail a one-time notice to owners of private posted land. This will result in a one-time cost to the department. The one-time cost of $68,016 will occur out of the current year budget, FY 2003 (approximately 218,000 post card mailings at a cost of $0.082 per card and $0.23 per mailing = 218,000 x (0.082 + 0.23) = $68,016). The department will absorb these costs in its current budget.
3. The DOR is required to take full charge of assessing all property subject to taxation and equalizing values and secure such personnel as is necessary to property perform its duties. (15-8-101, MCA)
4. The DOR is required to administer and supervise a program for the periodic revaluation of all taxable property in classes three, four, and ten (agricultural land, residential and commercial property, and forest land respectively). All other property must be revalued annually. (15-7-111, MCA)
5. Under current law, DOR appraisal staff is not allowed to do an on-site appraisal of property that is posted non-trespassing without the owner's permission.
6. The DOR will be required to meet its statutory responsibility to assess and revalue all property within statutory deadlines (current law).

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(continued)

7. Passage of HB 188 would increase operating expenses (newspaper public notices) by $6,720 in FY 2004 and $6,720 in FY 2005. The department will absorb these costs in its budget.
8. Under the defined guidelines contained in the proposal, appraisers would be allowed to view and, therefore, appraise newly constructed property that lies on posted land.
9. Under current law, appraisers cannot view and appraise newly constructed property that lies on posted land. If the proposal does not pass, it is estimated that 67 percent of the rural new construction in tax year 2003 will not be discovered and 75 percent of the rural residential new construction for tax year 2004 and tax years thereafter will not be discovered.
10. The total taxable value of rural residential improvements in tax year 2002 is $340,100,000. The new construction growth rate for this property is estimated to be 4 percent. The estimated taxable value of rural residential new construction for tax year 2003 (fiscal year 2004 revenues) is estimated to be $13,600,000 ($340,100,000 x .04). The estimated total taxable value of rural residential new construction for tax year 2004 (fiscal year 2005 revenues) is estimated to be $14,100,000 ($13,600,000 x 1.04).
11. If the proposal does not pass, $9,100,000 (13,600,000 x 67%) of taxable value will not be discovered and will not be included in the tax bases for state government, local governments, and school districts beginning in tax year 2003 (FY 2004 property tax revenues). This undiscovered taxable value will carry forward into fiscal year 2005 and each fiscal year thereafter. For FY 2005, an additional $10,600,000 (14,100,000 x 75%) in taxable value will not be discovered and will not be included in the tax bases.
12. Under the proposal, total taxable value will *increase* $9,100,000 in tax year 2003 (FY 2004 revenues) and $19,700,000 ($9,100,000+$10,600,000).
13. State mills are 95 mills levied for the state general fund and 6 mills levied for the university system. Local government mills are 167 mills levied for county governments and 187 mills levied for local schools.
14. Under the proposal, the state general fund will gain $864,500 ($9,100,000 x .095) in FY 2004 and $1,871,500 ($19,700,000 x .095) in FY 2005.
15. Under the proposal, the university system will gain $54,600 ($9,100,000 x .006) in FY 2004 and $118,200 ($19,700,000 x .006) in FY 2005.

FISCAL IMPACT:

Dept. of Revenue (Program)	FY 2004 Difference	FY 2004 Difference	FY 2005 Difference
Expenditures:			
Operating Expenses	$0	$0	$0
Funding of Expenditures:			
General Fund (01)	$0	$0	$0
Revenues:			
General Fund (01)	$0	$0	$0
State Special Revenue (University)	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):			
General Fund (01)	$0	$0	$0
State Special Revenue (University)	$0	$0	$0

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

If the proposal does not pass, it is estimated that $9,100,000 in FY 2004 and $19,700,000 in FY 2005 of taxable value of newly constructed rural residential property will go undetected and not be paying property taxes for local government services and local school districts. If the proposal does not pass, it is estimated that local governments and local school districts will lose $3,200,000 and $7,000,000 in property tax revenue from new construction in FY 2004 and FY 2005, respectively.

The amended bill requires the county treasurers to provide, on property tax bills, notice to landowners that DOR employees may enter private land for appraisal and audit purposes, and an indication how the landowner may schedule an appointment to be present. It has been indicated by the County Treasurers Organization that this can be done with minimal or no financial impact to the counties.

LONG-RANGE IMPACTS:

If the proposal does not pass, the amount of undiscovered taxable value each year will continue to grow by approximately $10,000,000 as each year's undiscovered new construction is added to the cumulative undiscovered new construction from the prior years. Under this cumulative process, it is estimated that the total amount lost to the state general fund over the four-year period from FY 2004 to FY 2007 is $10,000,000. It is estimated that the total amount lost to the local governments and local school districts over the same four-year period is $35,000,000.